Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

1.9
C75 2Ww

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

LIBRARY
RECEIVED
AUG 15 1933
U. S. Department of Agriculture

WOOL-63

July 31, 1933

WORLD WOOL PROSPECTS

Summary

Further improvement in trading and manufacturing activity was reported from the principal wool manufacturing countries during June and the first half of July and prices of wool and semi-manufactures continued to increase, according to the Bureau of Agricultural Economics. Prices in the domestic market have been strengthened by the rise in prices of wool in foreign countries and by the decline in the exchange value of the dollar. Wool continues to move freely in the United States. Quotations at the close of the July series of the London wool sales on July 21 were 10 to 20 percent higher, in English currency, than those ruling at the close of the previous series on May 31.

The rising prices for wool and the expectation of higher manufacturing costs under the operations of the National Industrial Recovery Act have resulted in a rush by the United States industries to build up stocks which had been allowed to fall very low. Consumption of wool by United States manufacturers reporting in May was 62 percent greater than in April and was almost three times as large as in May 1932. Wool manufacturing activity in the United States in June and July was reported to be greater than at any time since the rush of activity in the period following the World War.

Arrivals of domestic wool at Boston for the first 6 months of 1933 were 99,340,000 pounds. This was above the average for that period in the years 1928-1932, and was considerably above last year when marketing was very slow. Only 5,801,000 pounds of combing and clothing wool were imported during the first 6 months of 1933 compared with 13,224,000 pounds in the same period last year. Imports increased considerably in the first half of Jul

The sharp upward trend in prices of wool and semi-manufactures continued through June and the first half of July in the United Kingdom and continental Europe and trading was good. Reports also indicated a further improvement in manufacturing activity and consumption. The absence of a heavy carry-over and the prospect of a decline in world wool production is expected to aid in maintaining the present improvement in wool prices. General industrial developments outside of the wool industry, however, are expected to have a decided influence on the situation.

Interest is now centering on the coming Southern Hemisphere clip. As the season has advanced, conditions in the important wool growing countries of the Southern Hemisphere have grown more unfavorable for the wool clip. Present prospects are for a reduction in the 1933 clip in Australia, the Union of South Africa, and New Zealand. In Argentina sheep are reported in good condition with prospects of ample feed for the winter months (June - August). In Uruguay rain was needed, according to latest reports. No reliable estimates are as yet available for the South American countries.

Exports for the season ended June 30 from Australia, the Union of South Africa, and New Zealand were unusually large and stocks are low in the first two countries. In New Zealand it is reported that stocks are also greatly reduced as compared with the heavy stocks of crossbred wool on hand on June 30 a year ago. Exports from Argentina and Uruguay are greatly ahead of shipments for the same period last season. The export season in those countries closes September 30.

In the Northern Hemisphere countries shearing of the 1933 spring clip is about finished and the preliminary estimate of production in the United States will be issued about August 2.

Marketing Situation

United States

Wool moved very freely at Boston during the past month and prices continued to advance. Some slowing-up in trade was evident around the close of June when the usual inventories occupied manufacturers' attention, but this merely tended to check the rising tendency of wool prices for a brief period, reports R. L. Burrus of the Boston office of the Bureau of Agricultural Economics in his report of the wool market for the month ended July 15.

The strong advance in prices at the opening of the London sales the first week of July and the decline in the exchange value of the dollar further strengthened the position in the domestic market. A vigorous buying movement was started which advanced prices of western wools 6-7 cents a pound (scoured basis) above the prices of late June.

Western grown wools maintained their leadership in the upward price movement. Increased buying by manufacturers and topmakers brought rapid advances in 64s and finer territory wools in original bags. Good French combing and average strictly combing fine territory wools in original bags sold at 75-77 cents a pound scoured basis the middle of July compared with 67-70 cents around June 15. Among the early advances was the rise to 70 cents scoured basis for 56s strictly combing territory wool which had been rather quiet for some weeks at 63-65 cents. Twelve months Texas wools sold at 77 cents, scoured basis, for selected staple, and 75 cents for ordinary lots the middle of July compared with 68-71 cents late in June and 65-70 cents on June 15. An outstanding development in Texas wools has been the advance in prices of 8 months staple from 63-65 cents the middle of June to 73-75 cents the middle of July.

The further advance in prices of western wools was followed by a spurt in activity on fleece wools which had been relatively quiet since mid-June. Fine Ohio delaine of the best type increased to 32 cents in the grease. Ordinary types were 30-31 cents the middle of July with the scoured equivalent advancing to 77-79 cents from the late June range of 72-75 cents. All grades of fleece wools shared in the increased activity and in the rise in prices early in July. Strictly combing 56s advanced to 34-35 cents grease basis and 48s, 50s to 33-35 cents after a month of little change.

Foreign wool markets have had increasing influence upon the Boston market during the past month. While importing has thus far been confined largely to specialties, most of which have been shipped direct to users, according to Mr. Burrus, recent heavier imports have included some wools for resale and a few spot transactions have recently been reported in Boston. Both buyers and sellers of domestic wools are now giving considerable attention to quotations from foreign markets.

The persistent demand for tops in the Boston market has enabled topmakers to pass on the increased costs of wool in the prices of tops. Advances of 7-10 cents a pound were realized during the month ended July 15. Sales the middle of July were at $1.05 for choice staple 64s tops in oil, $1.02 - $1.03 for average 64s, 95-97 cents for 58s, and 85-87 cents

for 50s. Deliveries have been extremely heavy. Topmakers have found difficulty in making deliveries as rapidly as requested and have been unable to accept all orders.

Despite the large production of noils resulting from increased combing, the call has been strong enough to bring about a further increase in prices.

Consumption of combing and clothing wool by United States manufacturers reporting to the Bureau of the Census in May was 62 percent greater than in April and was almost three times as large as in May 1932. Mill activity in June and July was reported to be greater than at any time since the boom period following the war. A large part of the recent activity is accounted for by the rush to fill out depleted stocks in the anticipation of a further rise in prices. Increased costs of manufacture are expected under the operations of the National Industrial Recovery Act.

Domestic wool is arriving at Boston in large quantities. Receipts for the first 6 months of the year amounted to 99,340,000 pounds compared with 57,641,000 in the first 6 months of last year and 108,625,000 in 1931. The average for the 6-month period in the 5 years 1928-1932 was 89,000,000 pounds. Arrivals this year are considered very good in view of the delay in shearing caused by cold, wet weather. The shearing season is now finished in this country. Reports indicate that supplies held by farmers are not large and that most of the season's clip has already been sold or consigned. Wool is said to be moving quickly through the hands of dealers at Boston with much of the new clip going directly to the mills.

Only 5,801,000 pounds of combing and clothing wool were imported from January to June 1933, compared with 13,224,000 pounds in the first half of 1932 and 76,837,000 in the first half of 1929. Imports have increased considerably in recent weeks. Imports of combing and clothing wool at the ports of Boston, New York, and Philadelphia for the first week of July were about 1,975,000 pounds which was greater than the total for any month this year. Imports at these three ports for the first 6 months of this year were about 4,870,000 pounds. Imports of carpet wool have also shown an increase in recent weeks.

Prices of domestic wool are now close to import parity and changes in foreign markets are of greater importance to domestic dealers and manufacturers than they have been for some time.

United Kingdom

The sharp upward trend in prices of wool and semi-manufacturers in the United Kingdom continued through June and July. The improvement continued to originate in the raw wool market. The statistical position of raw materials and conditions in the American market were of considerable influence on the English market, according to H. E. Reed, Senior Marketing Specialist at London.

Trading in spot wools was brisk in British centers during June. Demand for wool for combing prior to the increase in combing charges on July 1 was supplemented by a demand from the United States for matchings and suitable wools. The higher prices at London in July were expected in view of the advances at Southern Hemisphere sales and in spot wool markets. Quotations on

merino wools for the opening week of the sales showed an advance of 20 to 25 percent over the closing quotations for the third series the end of May. Fine and medium crossbred wools were up 20 percent and low crossbreds were up 15 percent. Demand was good from English and German buyers with buyers from the United States taking small quantities during the early part of the sale. Prices remained firm during the first 2 weeks. The sales closed July 21 with prices slightly below the high point of the series.

Top quotations in Bradford have advanced with raw wool prices and are now more nearly based on replacement costs. The advance has somewhat curtailed the amount of business in tops. A fair amount of business has been done in the finer grades, and, compared with operations earlier in the season, business in medium crossbreds, particularly 50s, has been considerable. Yarn prices have advanced, but the advance was accepted with reluctance.

Present reports indicate further improvement in manufacturing activity and consumption in the English wool industry during June and early July. Conditioning of tops at the Bradford conditioning house in June was slightly below that of May, but was considerably above the average for that month in the past 10 years. Exports of woolen and worsted tissues were larger than in June of the 2 previous years.

While in general a feeling of confidence prevails in the wool industry of the United Kingdom, it appears that the maintenance of the present improvement will depend largely upon influences outside the wool trade, according to Mr. Reed. Improved conditions in the American market have had a decided influence in the English market. The sharp rise in wool prices has not been accompanied by any marked increase in purchasing power in England, only a small decline occurring in unemployment. The great activity of the past 2 months is expected to satisfy consumer demand for some time to come. On the other hand, the strong statistical position of wool, based on the small carry-over to the new 1933-34 season and the expected reduction in the 1933-34 clip, particularly in merino wool, puts the industry in a position to profit quickly from even a moderate improvement in general conditions and purchasing power.

Continental Europe

Further improvement was reported in the continental wool industry during June, according to a report from Donald F. Christy, Assistant Agricultural Commissioner at Berlin. Trading in tops, noils, and raw wool was stimulated by the continued rise in prices. New business in the manufacturing industry was also reported to be satisfactory in June, and further increases have taken place in mill activity.

Prices of wool, tops and yarn continued to increase in France and Germany during June. In Germany the price of domestic A/AA scoured wool converted to United States currency was 47.9 cents a pound on July 1 compared with 41 cents on June 1. French quotations on Australian merino tops converted to United States currency were 56-57 cents a pound on July 6 compared with 48-49 cents on June 1. Argentine 56s tops were 50.1 cents on July 6 compared with 38.1 cents on June 1. Part of the increase shown in prices in United States currency is due to the decline in the exchange value of the dollar during June, but prices in francs and marks also show a decided rise.

Stocks of merino tops in commission combing establishments of Germany were considerably reduced during June and at the close of the month were smaller than on June 30, 1932. Crossbred stocks were also reduced slightly during June but are still well above average. French commission combers reported a reduction in stocks of merino tops during June, but this was more than offset by the increase in stocks of crossbred tops. Little change was reported in stocks of tops in Belgium.

Developments in European countries during June are summarized by Mr. Christy as follows:

Continued improvement in business for tops and noils was reported from France during June. Prices have increased substantially and have further improved buying sentiment. Trading in washed wool was also favorable. Spinners at times complain that the sharp rise in prices is making it difficult for them to dispose of their manufactured products at prices in line with the increased level of raw values. On the other hand, during most of the month new sales by spinners and weavers were reported good and mill activity in all sections of the industry continued on the higher levels previously reported.

Italian wool, top and noil markets continued active throughout the month of June. Sales continued to increase well into the second half of the month, but showed a slightly quieter tendency toward the end of June because, as in France, difficulty was encountered in obtaining higher prices for the manufactured products necessary to cover the increased costs of raw material. New business in yarn and manufactures in Italy was also satisfactory during the first half of the month, but, as already indicated, was somewhat hampered by increased quotations in the second half of June. Mill activity during June seems to have been maintained on about the May level.

Fairly satisfactory business in top and noils was reported from Belgium for the month of June. The knitting industry was an important buyer of tops, and a good volume of business was reported as a result of an increased demand for noils on the part of hatmakers. Trading in washed wool was somewhat quieter. The position of the industry has continued to improve as a result of fairly satisfactory new business in yarn and manufactures, and this is also true of the woolen spinning section.

A further increased trade in tops and noils as well as washed wool is reported from Germany for the month of June. Buying activity, partly speculative, was greatly stimulated by the rising price tendencies on the world market as well as by the noticeable improvement in the position of the industry. New sales of yarn and woven materials as well as knitted goods have shown a further increase during the month of June. This is partly accounted for by the tendency of the wholesale trade to refill stocks, but also by some improvement in consumer buying. These favorable developments in new business resulted in a further slight increase in mill occupation during the month of June.

Southern Hemisphere

The selling season in Australia came to a close on June 30 with prices at the highest point of the season and an excellent clearance of stocks. Much the same situation prevailed in the Union of South Africa where prices strengthened as the end of the season approached. The market in Argentina and Uruguay continues firm. Coarse grades and second clips show the sharpest advance. The season in these countries continues until October 1, but visible stocks are very small and this will restrict trading for the rest of the season.

Supply Situation

United States

The preliminary estimate of shorn wool clip of the United States for 1933 will be issued by the Division of Crop and Livestock Estimates on August 2. Weather developments during the late winter and early spring have not only resulted in heavy losses of ewes and lambs, but also in a falling-off in condition. Some of the losses, however, probably occurred after shearing.

Although sheep numbers on January 1, 1933 were approximately the same as on the same date of 1930 when the shorn wool clip was estimated at 350,311,000 pounds, the conditions during the entire wool growing period, i.e. about July 1 to June 1, has been two points lower. At the same time losses are stated to be about as great as they were in the winter and spring of 1931-32 when they were unusually heavy.

Range conditions on July 1 were only 78 percent of normal compared with 92 percent last July, according to the Western Livestock and Range Report issued by Bureau of Agricultural Economics. The condition on July 1 this year was the lowest for that date in 10 years for which records are available. For the 3-month period, May to July, range conditions also averaged lower than for any other corresponding period in the last 10 years.

Rainfall over most of the range area since the first of the year has been below normal followed by hot, dry weather during June. A serious drought exists in the Panhandle of Texas and western Texas, western Oklahoma, western Kansas, northwestern New Mexico, and southeastern Colorado. Range feed is short in California with poor prospects for summer and fall. June rains improved feed in New Mexico and feed is good in the mountain areas and most of Idaho, Oregon, Washington, and western Colorado. In Utah and Nevada the lower ranges have dried quickly. Early July rains helped the feed situation in the Northwest and in a few other northern areas.

The condition of sheep on western ranges, which on June 1 was the worst it had been on the same date for the preceding 10 years, continued to be below the 10-year average on July 1, although it was 2 points higher than on June 1. On July 1 the condition was 85 percent of normal compared with 90 percent on July 1, 1932 and 88 percent on the same date of 1931. Spring losses of ewes and lambs have reduced the lamb crop in most northern range areas, but Texas has a good crop.

Australia

Up to the middle of July when heavy rainfall was reported in central Queensland and the northern part of New South Wales, weather and feed conditions in Australia had been growing steadily worse as the season advanced and prospects for the 1933 lamb crop and wool clip had been growing increasingly unfavorable. Rain was urgently needed over the greater portion of the pastoral area in all the States, the situation being especially bad in New South Wales and Queensland. The recent rainfall will tend to improve conditions, but just how much is not yet known. The conditions during the first 6 or 9 months of the season are usually most important for wool production.

Because of scarcity of autumn (March to June) rain, conditions were unfavorable for the principal lambing season with prospects of heavy losses unless sufficient rain was received to insure green feed. A cable from the International Institute of Agriculture at Rome dated July 17, stated that the weather was still unfavorable with need of more rain.

As a result of the dry conditions, autumn (March -May) shearing of 8 months wool was much more general than usual, thus swelling shipments for the 1932-33 season at the expense of the coming season. The coming wool clip is provisionally estimated at only 883,000,000 pounds compared with an average production for the past five seasons of 967,000,000 pounds.

Receipts into store for the entire season ended June 30 are now estimated at 901,000,000 pounds, an increase of 5 percent above arrivals during the preceding season which had constituted a record up to that time. Disposals at selling centers during the season just closed reached 888,000,000 pounds and were 9 percent greater than during the preceding 12-months period.

Only 13,000,000 pounds from the clip just marketed remained on hand on June 30 compared with 46,000,000 pounds at the same date of 1932 and a 5-year average, 1927-1931, of 16,000,000 pounds. During the last 10 years stocks at the end of the season ranged from 8,000,000 pounds at the end of the 1926-27 season to 162,000,000 at the end of the 1924-25 season.

Exports for the entire season ended June 30, 1933 amounted to 931,000,000 pounds, an increase of 11 percent above 1931-32 and 19 percent above the 4-year average 1927-28 to 1930-31. Shipments by countries for 11 months of the season show that out of a total of 890,000,000 pounds, the United Kingdom took 280,000,000 pounds or 5 percent less than in 1931-32 and Japan took 195,000,000 pounds or 4 percent more. Exports to France reached 130,000,000 pounds, an increase of 14 percent and those to Germany and Austria were 115,000,000 pounds, an increase of 44 percent. The United States and Canada took only 5,000,000 pounds, a little less than half the quantity taken in the first 11 months of the preceding year.

New Zealand

Although weather and feed conditions were reported as satisfactory for wintering sheep in the early fall (mid-March), by the beginning of the winter prospects were less favorable, especially in the South Island. Abnormally heavy rainfall had been received in the Southland district in April and May which gave the winter a bad start, according to the New

Zealand Farmer,Stock, and Station Journal. All pasture growth in that part of the country was checked and little more natural feed can be expected until spring (September - November). No stock losses of any consequence were reported. In the Canterbury district prospects for winter feed were also reported as poor.

In the Hawkes Bay District of North Island, also an important sheep-producing area, the feed situation had not improved, but there was apparently a sufficient supply for the time being.

Apparent supplies of wool in New Zealand at the end of the season, i.e. June 30, were 30 percent below the same date last year when they were unusually heavy. The official estimate of the supplies of wool remaining on hand is not yet available.

Exports for the season ended June 30 amounted to 276,000,000 pounds, an increase of 23 percent above the shipments during the preceding season and 27 percent above the 4-year average 1927-28 to 1930-31.

Argentina

Pasturage was reported as plentiful at the beginning of the winter months (early June). Feed was believed sufficient to carry flocks well through the winter months. At the end of May sheep were reported to be in a flourishing condition with grass very plentiful. As yet no reliable estimate of the wool clip to be shorn during the last few months of the current calendar year is available.

Exports of wool for the 9 months ended June 30 amounted to approximately 315,000,000 pounds, an increase of 23 percent above the corresponding period of 1931-32, but 5 percent below 1930-31. Average exports for the same period of the 5 seasons 1926-27 to 1930-31 were 272,000,000 pounds. Of the 315,000,000 pounds exported during the 9-month period, ended June 30, 1933, the largest quantity or 86,000,000 pounds went to England. This was a decrease, however, of 2 percent as compared with a year ealirer. On the other hand shipments to the Continent and to the United States increased. Exports to France amounted to 73,000,000 pounds and were 36 percent greater than a year ago. Germany took 43,000,000 pounds or 18 percent more; Italy, 41,000,000 pounds, or over 50 percent more; and Belgium, 37,000,000 pounds, or 48 percent more than for the corresponding period of 1931-32. Exports to the United States increased 43 percent to 18,500,000 pounds.

Stocks at Central Produce Market were greatly reduced as compared with last year.

Uruguay

Although more rain was badly needed in mid-autumn (April-May),the condition of livestock was still reported as satisfactory. As is the case with Argentina, no reliable estimate of the coming wool clip is as yet available.

Exports for the 9 months of the season, i.e. to the end of June, reached 106,000,000 pounds, an increase of 38 percent above exports for the same period of 1931-32 when they were unusually low. The increase in exports this season was due partly to more favorable marketing conditions and partly to a larger wool clip. The largest quantity shipped to any one country was 26,000,000 pounds to Germany, an increase of 30 percent above shipments to that country last year. Shipments to England increased 29 percent; to Italy, 54 percent; and to France, 33 percent. The United States took only a little over 1,000,000 pounds, which was twice as much, however, as last season's purchases for the same period.

Chile

Flocks in the Magallanes district of Chile, where the bulk of the wool for export is grown, were reported in excellent condition for entering the winter months (June - August). Rainfall had been abundant during May and pasturage was reported as good.

Union of South Africa

The outlook for the coming wool clip that is to be shorn during the last few months of the present calendar year, still continues unfavorable and a reduction of from 5 to 10 percent is indicated by present conditions, according to a report from Agricultural Attache Taylor. The latest estimate placed the 1932-33 clip at 298,000,000 pounds compared with 306,000,000 pounds in 1931-32.

Drought has reduced grazing conditions far below normal and conditions at the beginning of the winter (beginning of June) were too serious for an improvement in weather conditions to bring about immediate relief. Conditions are most serious in Northwestern Cape, Bechuanaland, Griqua West, and adjoining portions of the Karroo, where heavy stock losses have been reported.

Autumn lambing is already completed in a number of important areas. Drought has offset efforts to provide winter feed for ewes and autumn-born lambs, so that the percentage raised may be less and the sheep probably smaller next year. Both of these factors may have an adverse effect on following wool clips. The only districts likely to produce full grown wool free from starvation tender fibers in the coming wool clip are eastern Transvaal, northeastern Free State, and the area within 200 miles of Port Elizabeth.

Receipts of the current season's clip at Union ports for the entire season ended June 30 were unofficially estimated at 307,000,000 pounds, a decrease of 1 percent as compared with the preceding season.

Exports for the entire season are unofficially estimated by Mr. Taylor at 317,000,000 pounds, an increase of 6 percent above the same period of 1931-32; 12 percent above 1930-31, and 10 percent above the average for the 5 seasons, 1926-27 to 1930-31. Unsold stocks remaining at ports were reduced to a very low figure at the end of the season. At the end of May they were reported at only 3,000,000 pounds as compared with 20,000,000 at the same date of 1932 and an average of 10,000,000 for the same date of the 5 years, 1927 to 1931.

Japan

Wool growing on anything but an extremely small scale in Japan proper is practically impossible. However, it is reported from Australian sources that the Governments of Manchukuo and Japan are cooperating in obtaining stud sheep for the proposed new developments in Manchuria and Mongolia. The subjugation of Jehol gives contact with Inner Mongolia, a region admirably suited for wool production. The native wools now grown there are noted for their splendid texture and staple.

Among the projects to be undertaken jointly by the Manchukuo Government and Japan is the Tungliao-Jehol railroad, about 447 miles long, which, when completed, will be of great value in developing Inner Mongolia. Among the advantages to be gained from its construction is the possibility of establishing a large-scale wool industry in Mongolia. While the number of sheep in Japan is very small and the yield per head only about three pounds of wool, the sheep in Mongolia can yield eight pounds per head by crossbreeding with merinos. The South Manchurian Railway Company has made experiments to confirm this fact. Sheep numbers in eastern Inner Mongolia are estimated at over 3,000,000 head.

It is reported from Japanese sources that for years to come regular orders will be sent to Australia and New Zealand for sheep. The embargo against the exportation of stud merino sheep from Australia is still in effect, however, and unless raised, Japan will have to procure them from other sources.

- - - 0 - - -